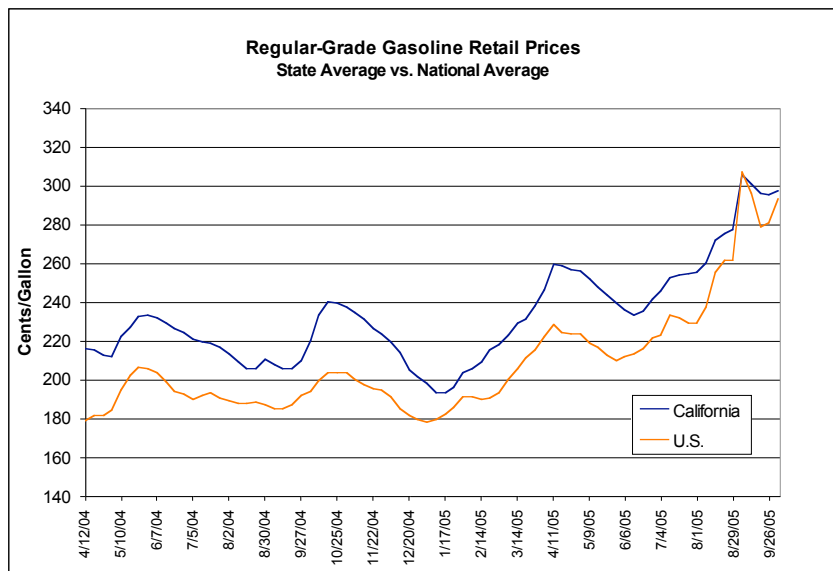
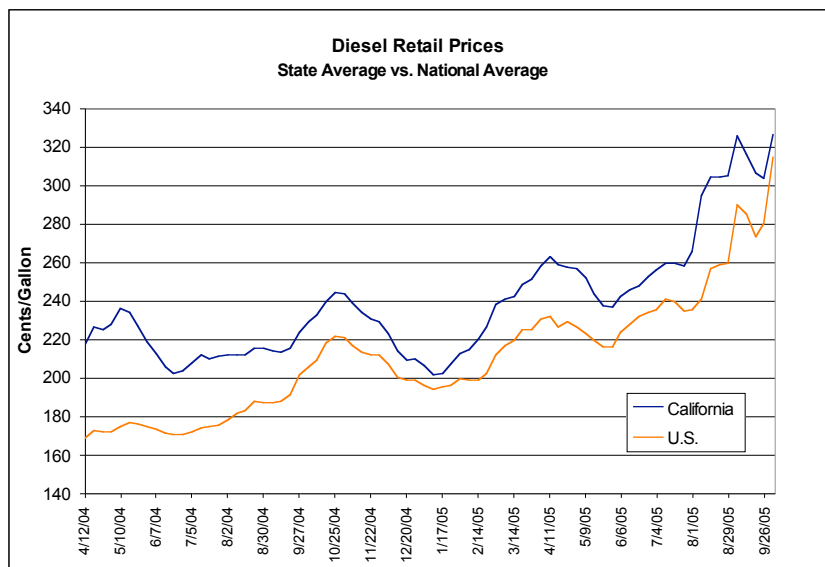


Retail Gasoline and Diesel Prices

- The statewide average price for regular gasoline jumped 2 cents to \$2.97 per gallon as of October 3. However, the difference between U.S. and California retail prices narrowed to less than 5 cents compared to over 14 cents the previous week due to the impacts of Hurricane Rita on refinery operations in the Gulf Coast.¹



- California retail diesel prices jumped 23 cents from the previous week to \$3.26 per gallon as of October 3. The difference between U.S. and California retail diesel prices narrowed sharply to just 12 cents per gallon compared to 23 cents the previous week because of the effects of refinery outages on wholesale prices in the Gulf Coast area.

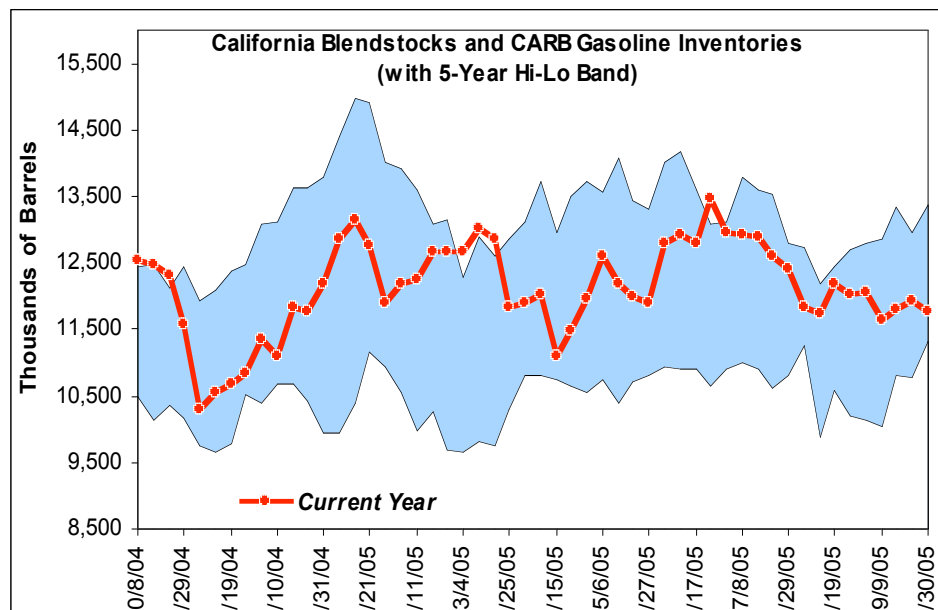
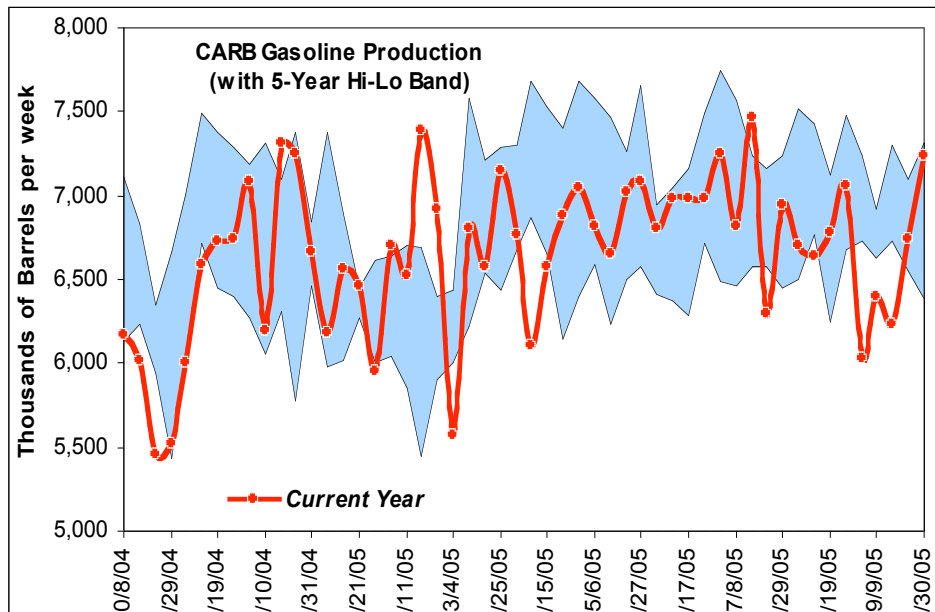


Wholesale Gasoline and Diesel Prices

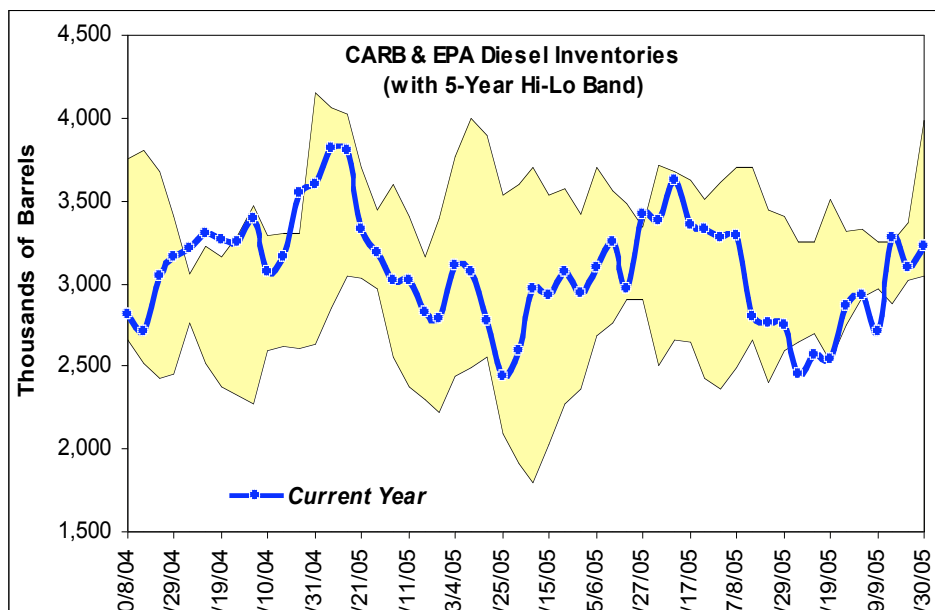
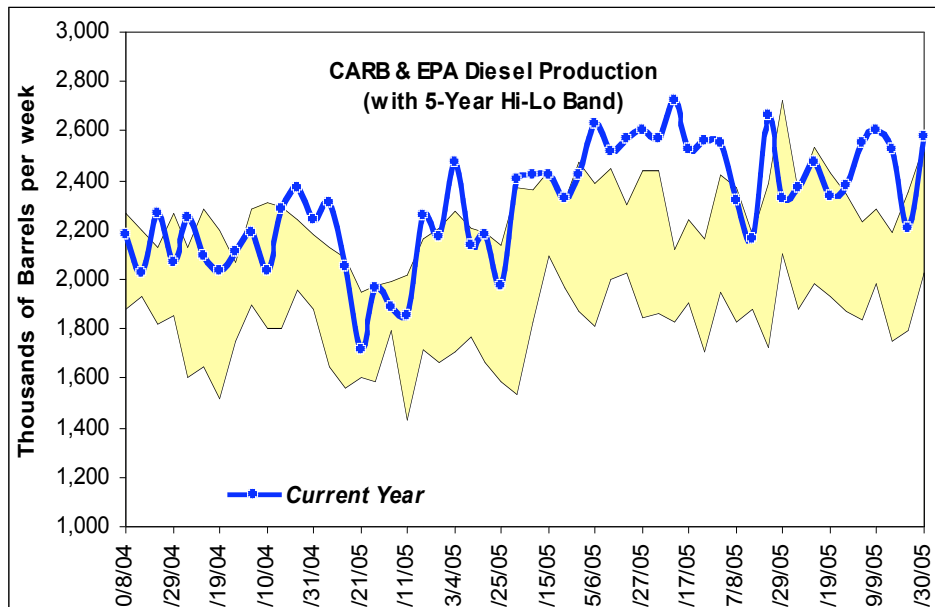
- Wholesale spot gasoline prices in California in the last month have fallen from the lofty levels reached shortly after Hurricane Katrina, when prices spiked to \$2.96 per gallon in Los Angeles. Prices surged again to \$2.40 on September 28 following Hurricane Rita, but then declined to \$2.16 by October 4. This severe volatility pales next to the Gulf Coast, however, as reformulated gasoline in that region hit \$3.45 on September 28, \$1.05 per gallon more than in Los Angeles. By October 4, Gulf Coast prices had fallen to \$2.53, still almost 37 cents more than Los Angeles.
- Wholesale California diesel prices have mirrored gasoline prices, peaking at \$2.47 in Los Angeles following Hurricane Katrina, retreating, and then steadily climbing again after refinery outages in Los Angeles and the arrival of Hurricane Rita in the Gulf Coast. Los Angeles prices reached \$2.38 per gallon on October 4. In the Gulf Coast region, diesel prices soared to \$3.23 as of September 28, 91 cents more than in Los Angeles on that date, before falling to \$2.52 on October 4.
- The latest EIA weekly assessment shows U.S. gasoline demand remains at 8.8 million barrels per day, the fifth straight week of daily demand averaging below 9 million barrels. U.S. distillate demand was down 1 percent from last year.

Refinery Production and Inventories

- Of the 16 Gulf Coast refineries shut down at the approach of Hurricane Rita, 8 remained closed on October 4. Added to the 4 refineries still shut down from Hurricane Katrina, total refining capacity off-line as of October 5 was over 3.1 million barrels per day, roughly 18 percent of U.S. total capacity. Cumulative lost fuel production due to both hurricanes could amount to more than 2 percent of U.S. annual output.
- The return to operation of California refineries shut down as a result of electricity outages in Los Angeles during September has increased weekly reformulated gasoline output in California to over 7 million barrels for the first time since late August, up to 7.2 million barrels for the week of September 30. These levels are 8 percent more than the previous week, and for the first time since early July, reformulated gasoline production in the state reached the upper end of the 5-year range. Meanwhile, the U.S. EPA has extended the waiver of California's summer gasoline rules to October 24. Another waiver extension from U.S. EPA will be required to reach the start of the winter gasoline season on October 31.
- Reformulated gasoline inventories in California declined at the end of September, falling almost 5 percent from the previous week, and down 27 percent from last year. However, gasoline blending components inventories were up 1 percent from the previous week, and almost 5 percent from last year.² U.S. reformulated gasoline stocks also dropped, falling 4.4 million barrels to 195.5 million due to the loss of refinery production following Hurricanes Katrina and Rita.

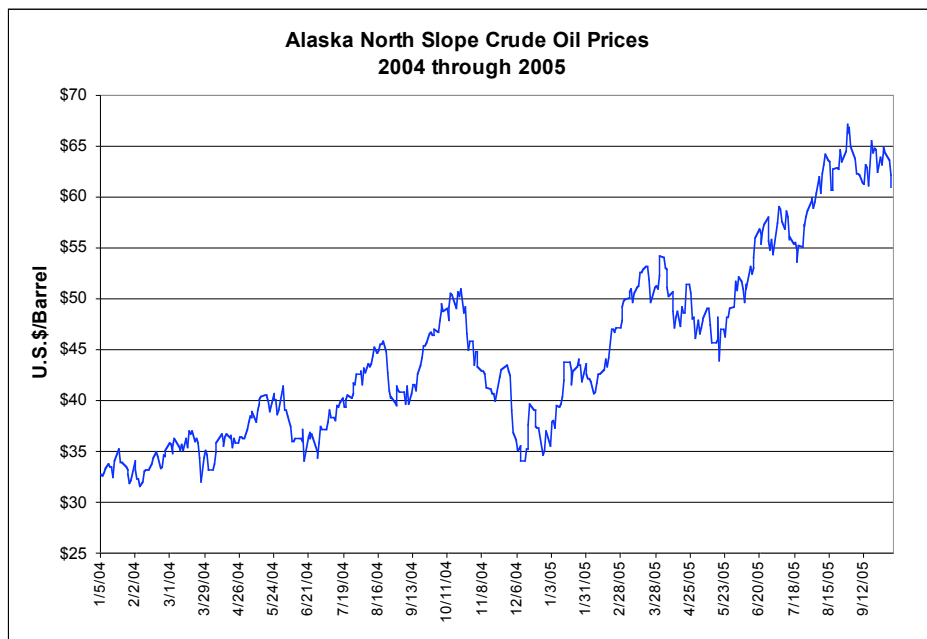


- California production of low sulfur diesel, including both California diesel and U.S. EPA diesel, jumped 17 percent during the week of September 30 compared to the week before, primarily due to a 21 percent increase in California diesel production. As a result, combined low-sulfur diesel inventories grew 4 percent from the previous week and 5 percent over a year ago.



Crude Oil Prices and Inventories

- After reaching record highs in late August, crude oil prices have weakened slightly but remain very high. Alaska North Slope crude oil, an important refinery feedstock for California, was priced at \$60.89 per barrel as of October 5.³



- U.S. commercial crude oil stockpiles totaled 305.4 million barrels as of September 30, down 250,000 barrels from the previous week but 31.4 million barrels more than last year and 19.5 million barrels over the average of the previous 5 years.
- World oil supplies have been strained due to U.S. hurricanes, low levels of excess oil production capacity worldwide, and almost three years of high worldwide petroleum demand growth. At the same time, supplies have been supported by the release of oil and petroleum products from the International Energy Agency member countries' strategic reserves, the virtual lifting of Organization of Petroleum Exporting Countries production limits, high crude oil inventory levels, and signs of softening demand for gasoline.
- According to the Minerals Management Service, as of October 5 about 83 percent of U.S. Gulf of Mexico offshore oil production, about 1.3 million barrels per day, was still shut down due after Hurricanes Katrina and Rita. Almost 45 million barrels of crude oil production have already been lost to these hurricanes in the last six weeks.

¹ Spot wholesale and retail gasoline and diesel prices are from the Energy Information Administration of the U.S. Department of Energy.

² California refinery production and inventory information are from the Petroleum Industry Information Reporting Act (PIIRA) database maintained by the California Energy Commission.

³ U.S. crude oil and product inventory estimates are from the Energy Information Administration of the U.S. Department of Energy. ANS crude oil prices are from the Wall Street Journal.